R.J. Reynolds Tobacco Company

A SPECIAL MESSAGE FROM THE PRESIDENT

1995 General Employee Bonus plan will pay awards

Dear Team RJR Member:

I am pleased to announce that bonus awards will be paid to participants of R.J. Reynolds Tobacco's employee bonus plan.

The 1995 bonus awards were based on a combination of year-end earnings and market-share results. For employees who participated in the General Employee Bonus Plan for the full year, the combined earnings and market-share results will generate a bonus award of $1,113. For Packaging employees, the RJRT portion of their bonus will be $668.

The $1,113 bonus award will be subject to tax withholdings*, as well as appropriate Capital Investment Plan deductions for current plan participants. Also this year, the bonus award will count toward your 1995 credited annual compensation for purposes of your retirement plan.

Bi-weekly-paid employees will get their bonus checks on February 16 with their payroll checks. Monthly-paid employees will get their bonus checks on February 15.

The 1995 bonus plan was based on Reynolds Tobacco's 1995 earnings and market-share:

- up to $1,400 (70%) maximum could be earned on the earnings component, based on Cash Net Income (CNI); and
- up to $600 (30%) maximum could be earned on four market-share components.

The following tables show you how RJRT performed on these objectives and the resulting bonus amounts.

Earnings

RJRT achieved CNI of $528 million in 1995 (including one-time adjustments from reported CNI of $490 million), which resulted in a bonus plan payout of $700 (50% of the maximum potential).

Level of CNI Achieved ($ millions)		Bonus Amount
$582	=	$1,400
$555	=	$1,050
$528	=	**$ 700**
$497	=	$ 350
Below $497	=	- 0 -

Market Share

The market-share portion of the bonus opportunity was based on four components reflecting RJR's 1995 goals:

- RJR's total share of the full-price segment;
- Camel's share of the full-price segment;
- Winston Select's share of the full-price segment; and
- Doral's share of the savings segment.

Based on RJRT's 1995 market-share performance, the combined component payout is $413 — 69% of the maximum potential.

The chart below shows both our market-share goals, the maximum payouts and the percentages of payout for lesser share results. Highlighted boxes indicate the goal and the actual market-share results at year-end.

Bonus per Component		Market-share Component	1995 Market Share Results** Bonus was payable based on market-share results. Maximum bonuses were paid for results of 100% of our market-share goals. A smaller percentage of the maximum was paid for lesser market-share results.				
Maximum	1995 Payout		100%	75%	50%	25%	0%
$600	$413						
$150	$150	RJR's Share of Full-Price *goal* ***results***	*24.39%* **24.44%**	24.38 - 24.09%	24.08 - 23.79%	23.78 -23.59%	< 23.59%
$150	$113	CAMEL Share of Full-Price *goal* ***results***	5.64%	*5.63 - 5.44%* **5.54%**	5.43 - 5.15%	5.14%	< 5.14%
$150	0	Select's Share of Full-Price *goal* ***results***	1.86%	1.76%	1.66%	*1.56%*	<1.56% **1.50%**
$150	$150	DORAL Share of Savings *goal* ***results***	*17.68%* **18.59%**	17.67 - 17.38%	17.37 - 16.98%	16.97 - 16.58%	<16.58%

* *Federal, N.C. and FICA taxes will equal about 42 percent.*

**Market-share goals were restated to reflect realignment of field sales territories during 1995.

51859 4616

Source: https://www.industrydocuments.ucsf.edu/docs/jhgn0000

cm: 2-6-96

R J Reynolds
Tobacco Company

Stephen R. MacLeod
Region Operations Manager
Buffalo #1610

150 Lawrence Bell Dr. #108
Williamsville, NY 14221
(716) 634-9232
(716) 634-3145-Fax

February 6, 1996

TO: **EILEEN BRZEZICKI**
JUDY CAMPBELL
DARREN DEROSE
AMY MCPARTLAN

RE: ***1995 GENERAL EMPLOYEE BONUS PLAN***

Ladies & Darren:

The attached letter is from our President and CEO, Andrew J. Schindler, announcing the 1995 company results. ***Our results have generated a bonus award of $1,113.00.***

This bonus will be received on February 16, 1996 with your regular payroll check and will follow your normal method of payment - direct deposit or check.

I would like to take this opportunity to thank each of you for your efforts during 1995. I appreciate the support and commitment each of you gave me and the region during 1995. ***Thank you!***

We are already into 1996 and it goes without saying, 1996 will be a challenging year. I am confident that with your support, we can make it happen again in 1996.

Once again, thank you for your efforts.

Sincerely,

Stephen MacLeod

S.R. MacLeod
ROM/#1610
:etb

cc: R.C. Farmer

51859 4617

Source: https://www.industrydocuments.ucsf.edu/docs/jhgn0000

In 1995, we faced tough marketplace competition and numerous external issues, but we remained focused on our long-term objectives of increasing earnings and growing market share.

Although our first quarter yielded disappointing results, we gained momentum during the second quarter — momentum which we maintained for the rest of the year.

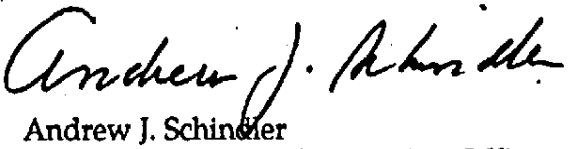
We effectively positioned Camel and Doral, and aggressively defended all of our brands in the marketplace. The result was improvement in our market-share trend with solid gains on Doral and Camel.

Although we didn't reach all of our 1995 goals that would have generated maximum bonuses, I think our accomplishments put our company on the path for improved results in 1996 and beyond.

I can assure you, this year will present us with some very difficult challenges. Our investors expect to see stronger performance from us. In order to meet these expectations, we must remain committed to our long-term objectives: increasing market share and growing earnings. The way we're going to achieve these objectives is by always focusing on the consumer. We must give adult smokers a reason to buy our products over those of our competitors. And we must continue looking for cost efficiencies wherever possible.

Shortly, the 1996 pay program will be finalized and communicated to you. Our company's performance depends on each and every one of us. We will determine the success of Reynolds Tobacco in 1996 and beyond. I'm counting on each of you to help make it happen, and I know I won't be disappointed.

Sincerely,



Andrew J. Schindler
President and Chief Executive Officer

51859 4618

Source: https://www.industrydocuments.ucsf.edu/docs/jhgn0000

Published for regular, full-time employees of R.J. Reynolds Tobacco Company, February 1996.